

AMENDED MINUTES
Policemen's Pension and Relief Fund
Thursday, September 9, 2010

On Thursday, September 9, 2010 at 9:07 a.m., a meeting of the Board of Trustees of the Policemen's Pension and Relief Fund of the City of Little Rock, Arkansas was held in the Sister Cities Conference Room at City Hall.

Agenda Item #1. Call to Order/Roll Call

[00.00.01 into the pension audio]

Mr. Moore called the meeting to order at approximately 9:07 a.m., and certified that a quorum of the Board was present. The Roll Call was as follows:

PRESENT:	Bruce Moore	Chairman
	Farris Hensley	Secretary
	Sara Lenehan	Treasurer
	Lee Harrod	Member
	David Rowan	Member
	Don Wood	Member
	Steve Young	Member

ABSENT:

Also present were Mr. Bo Brister, Mr. Larry Middleton, and Mr. Alex Jordan, Stephens Capital Management, Financial Consultants for the Fund; Mr. John Peace and Mr. John Petty, Dover Dixon Horne Law Firm, Legal Consultant for the Fund; Mr. Roger Smith, Government Relations Lobbyist for the Fund; and Mrs. Kathy Lindsey, Pension Fund Administrative Staff.

Agenda Item #2. Notification of News Media.

[00.00.13 into the pension meeting audio.]

Mr. Moore stated the media had been properly notified in a letter dated September 1, 2010, to the Arkansas Democrat Gazette.

Agenda Item #3. Approval of the July Special Meeting for the Financial Advisors, the August Special Meeting on Legal Counsel, the August Regular Meeting Minutes, and the August Special Meeting on the PRB appeal of Guarantee Funding. [Out of Agenda Order]

[00.14.44 into the pension meeting audio.]

[When this Item came up on the Agenda, Mr. Moore asked that Item #8 on the Agenda be addressed to allow Mr. Smith to attend another commitment. After the discussion of Item #8, the Board took up Item # 6 on the Agenda to allow Mr. Harrod, who is a member of the Pension Management Trust (PMT) Board to attend their meeting at the Municipal League, before returning to this Item on the Agenda.]

The Minutes for the July Special Meeting resulted in a motion from Mr. Harrod [00.20.38 into the pension meeting audio] to approve the Minutes for the July Special Meeting as amended by the changing the word “motion” to “recommendation” in the first line of the second paragraph of page #1. The motion was seconded by Mr. Rowan and passed by a unanimous vote of the Board.

The Minutes for the August 6, Special Meeting resulted in a motion from Mr. Harrod [00.21.27 into the pension meeting audio] to approve them as amended by showing Ms. Lenehan absent from the meeting. The motion was seconded by Ms. Lenehan and passed by a unanimous vote of the Board.

The Minutes for the August 12, Meeting resulted in a motion by Mr. Harrod [00.22.17 into the pension meeting audio] to approve them as submitted. The motion was seconded by Mr. Rowan and passed by a unanimous vote of the Board.

The Minutes for the August 23, Special Meeting resulted in a motion by Mr. Harrod to approve them as submitted [00.23.14 into the pension meeting audio]. The motion was seconded by Mr. Rowan and passed by unanimous vote of the Board.

Agenda Item #4. Report from Dover Dixon Horne Law Firm.

[0.23.34 into the pension meeting audio.]

- A. Lawsuit Concerning Past Benefit Increases — Mr. John Petty, Legal Consultant for the Fund, reported that the case is still waiting for a decision from the judge.
- B. Report from John Peace concerning past billing practices — Mr. John Peace, Legal Consultant to the Fund, stated, “I had thought this matter had been resolved a long time ago but I’m happy to come back and review the memo that I sent the Board in February of this year and answer any questions. Just to summarize, the Engagement Letter that Dean Overstreet drafted and sent to the Board stated that he would notify the Treasurer, the Treasurer, that he would notify the Treasurer of any increases. Our rate at that time presumably was at 220 dollars an hour.” Mr. Peace went on to state that they had two rate increases in five years, one in January of 2007 and one in January of 2009. He stated that “In January 2007 when the first rate increase occurred, we just sent in a summary deal to the Treasurer which did not indicate the hourly rate for each attorney; therefore, we felt like we did not adequately notify the Treasurer of the rate increase in January and February of 2007.” He went on to state that as a result of that fact the Firm reimbursed the Fund about \$1300 for those two months in a letter of credit from the next billing.

Mr. Young asked, “Where in the Letter of Engagement, Mr. Pease, does it state that the only person you will notify will be the Treasurer?” Mr. Pease replied, “The letter is written to the Treasurer and it says she will notify you. We’re talking to the Treasurer in that letter.”

Mr. Moore then asked for a disputed amount to be figured by Ms. Lenehan to be presented at the next pension meeting and that section of the Agenda was tabled until that time.

Mr. Young then made a motion to excuse the legal counsel from the remainder of the meeting to save the membership the expense of his presence. Mr. Hensley seconded the motion that passed by unanimous vote of the Board.

Agenda Item #5. Report from Stephens Capital Management.

[00.45.27 into the pension meeting audio.]

Presentation [Not on Agenda] — Mr. Middleton requested that the Board first listen to a presentation by Mr. Mike Droese from Goldman Sachs before the presentation of their financial report. Consequently, the Board listened to Mr. Rouch's presentation and he conducted a telephone conference call with Mr. John Calbaruso, also of Goldman Sachs, so that Board members could ask questions about the commodity investment under consideration. After the Board listened to the presentation, Stephen's Inc., continued with their financial report for the Fund.

- A. Financial Report — Mr. Middleton, Mr. Brister, and Mr. Jordan, Financial Consultants for the Fund, gave the August 2010 financial report [01.42.00 into the pension meeting audio] and stated that on August 31, 2010, the market value of the total Fund was \$44,820,012 of which \$23,066,007.72 was allocated to DROP. This represents a decrease in the account balance of (\$1,229,922) since July 31, 2010. The component of this change was income of \$55,561.22 and net contributions/withdrawals of \$344,392.68. Additionally, \$529,827.47 was held in the Metropolitan Checking Account. The Funds overall market rate of return for the month of August 2010 was (2.80%) and 1.00% calendar year to date.
- B. Review of Investment Policy Changes — Ms. Lenehan asked [01.49.57 into the pension meeting audio] if it was necessary to make changes to our Investment Policy pertaining to the commodity investment the Board was considering but it was determined that such changes did not have to be made at that time. Mr. Moore tabled this item until the next pension Board meeting.

Mr. Don Wood stated [01.52.43 into the pension meeting audio] he would like the Board to acknowledge the tremendous job that Ms. Sara Lenehan did at the PRB on September 1, and that she made a very knowledgeable presentation to the PRB at that time. Mr. Hensley added that Mr. Young and Mr. Harrod should also be commended as well for their presentation to the PRB and Mr. Wood agreed. Mr. Moore stated to let the Minutes for this meeting reflect those accolades.

Agenda Item #6. Discussion of A.C.A. § 24-11-405. [Out of Agenda Order]

[00.06.33 into the pension meeting audio.]

[This item on the Agenda was brought up secondly on the Agenda at the request of Mr. Harrod who had a PMT Meeting at the Municipal League he wished to attend at 10 a.m., which concerned issues before the PRB.]

Mr. Young stated for the record, "that the reason for bring this issue forward is NOT due to any perceived distrust in the Chair of this Board but is ONLY due to my long standing belief that ALL

citizens of the United States must follow the laws of our nation and our State, including this Board” and asked Mr. Moore for the following “Point of Information”:

Given the fact that A.C.A. § 24-11-405(a)(1) requires that “the chief executive officer of the city,” shall be the chairman of this Board and A.C.A. § 14-43-504(a) specifically states that, in cities of the first class, including the City of Little Rock, the mayor shall be the “chief executive officer” of the city, under what statutory authority do you sit as the Chairman of this Board?

Mr. Moore replied that he would have the City Attorney address that issue by the next meeting of the Pension Board but that it would be “simple” for the City to just modify the Arkansas law to allow him to sit on the Police Pension Board. Mr. Young replied that it might be “simple” for the City to achieve that task but that it was not simple for any other citizen to achieve and that until the legislature changes the law, the Board must obey the law that now exists. The issue was tabled until the next meeting of the Pension Board to allow the City Attorney time to reply.

Agenda Item #7 Discussion of PRB Issues

[01.55.51 into the pension meeting audio]

- A. **GuaranteeFunding Appeal** — Ms. Lenehan stated that the administrative office had received an email from Mr. Clark at the PRB that contained their request for an Attorney General’s Opinion on the issue of the appeal of our denial of Grantee Funding and a copy of Mr. Young’s presentation to the PRB. Mr. Young added that the primary reason for withdrawing the appeal of this matter was to allow the PRB to obtain an Attorney General’s Opinion in the hope that it would rule in our favor and prevent the cost of litigating that matter for the Fund.
- B. **2009 DROP Interest Certification** — Ms. Lenehan went over her corrections to the 2008 and 2009 Annual Reports to the PRB and provided copies for the Board’s review. Ms. Lenehan stated the net effect to the Fund was that an additional \$956,484 in loses will be posted into the 2008 Annual Report that will leave approximately \$870,000 increase for the 2009 Annual Report and that this modification, she estimates, will cause the DROP interest rate to increase to approximately 6.25% that was two percent (2%) over the previous rate established by the PRB Actuary. She than asked for the Board’s approval to submit the amended Annual Reports [02.07.02 into the pension meeting audio] and Mr. Hensley made the motion that was seconded by Mr. Young and passed by unanimous vote of the Board.
- C. **Over 20 Year Service Bonus For Widows** — Ms. Lenehan stated [02.07.53 into the pension meeting audio] that the PRB had determined to make this issue part of their legislative agenda to seek a modification to the existing law. Mr. Hensley pointed out that, on the advice of the local Boards past two legal counsels, the Arkansas law did not permit such bonus to be paid to the widows of deceased officers. The belief of the Board was to follow the past legal opinions until the law is changed.

Agenda Item #8. Report from Mr. Roger Smith. [Out of Agenda Order]

[00.00.51 into the pension meeting audio.]

- A. Discussion of Legislative Matters — [This item was called up first on the Agenda at the request of Roger Smith because Mr. Smith had another commitment.]

Mr. Smith stated that many of the members of our Board were not comfortable with the initial proposal regarding the Premium Tax allocation and cities pension contributions. He said that he has had conversations with Mr. David Clark, Executive Director of the PRB, and Mr. Jody Carreiro since the September 1, PRB meeting and made it clear to both of them that, if a city was to gain any “windfall” profits from any source as a result of this legislative change, that their first obligation should be to pay on any debt owned to the pension funds and that both Mr. Clark and Mr. Carreiro agreed there should be some mechanism contained in the legislation to provide for that eventuality.

Agenda Item #9. Report from Ms. Sara Lenehan.

[02.12.32 into the pension meeting audio.]

- A. Financial Reports — Ms. Lenehan submitted copies of the un-audited financial reports for June, July, and August:

June — Losses to the plan year-to-date through June 30, 2010, were (\$3,738,965). As of June 30, 2010, the fund’s total account fund balance including DROP, was \$44,853,756 with \$23,140,696 allocated to DROP. Monthly benefit expenses totaled \$529,644 and DROP withdrawals totaled \$67,223. The net income/loss for the month was (\$1,372,831).

Also submitted were copies of the June expense and legal fee reports. Expense reports showed non-benefit expenses totaled \$3,383.15 for the month and \$19,491.16 year-to-date. The attorney’s fees paid in June were \$2,142.50.

July — Losses to the plan year-to-date through July 31, 2010, were (\$1,993,996). As of July 30, 2010, the fund’s total account fund balance including DROP, was \$46,598,725 with \$23,124,524 allocated to DROP. Monthly benefit expenses totaled \$578,303 and DROP withdrawals totaled \$77,722. The net income/loss for the month was \$1,744,969.

Also submitted were copies of the July expense and legal fee reports. Expense reports showed non-benefit expenses totaled \$3,404.44 for the month and \$22,895.60 year-to-date. The attorney’s fees paid in July for two (2) invoices totaled \$6,573.80.

August — Losses to the plan year-to-date through August 31, 2010, were (\$3,385,511). As of August 31, 2010, the fund’s total account fund balance including DROP, was \$45,118,087 with \$23,066,008 allocated to DROP. Monthly benefit expenses totaled \$578,303 and DROP withdrawals totaled \$88,223. The net income/loss for the month was (\$1,480,639).

Also submitted were copies of the August expense and legal fee reports. Expense reports showed non-benefit expenses totaled \$10,962.19 [due to an \$8,100 fee for BKD audit] for the month and \$33,857.79 year-to-date. The attorney’s fees paid in August were \$1,051.70 and totaled \$20,514.40 year-to-date.

Don Wood made a motion [02.25.29 into the pension meeting audio] that the financial reports be approved as submitted. Mr. Hensley seconded the motion that was passed by unanimous vote of the Board.

- B. Review of Investment Policy Changes — This item was tabled until the next meeting of the pension board.

Agenda Item #10. Report from Mr. Bruce Moore.

[02.28.40 into the pension meeting audio]

- A. Appointment of Funding Committee Members — Mr. Moore suggested that City Director Gene Fortson be the representative from the City Board of Directors to our Funding Committee. This suggestion was warmly adopted by the Board and it was determined that all the Board members could attend the meetings as well as Mr. Rusty Watson who specifically mentioned his desire to attend in the past but most recently stated he was not certain if his attendance would be possible. Mr. Hensley made a motion [02.43.51 into the pension meeting audio] that the committee be formed with the nine (9) members previously mentioned. Mr. Harrod seconded the motion [Mr. Harrod had returned to the meeting from the municipal league meeting at the beginning of the discussion of this agenda item] that was passed by a unanimous vote of the Board.

Concerning this issue, it was also brought to the Board's attention that the PRB plans to address the City Board of Directors to advise them of their options in dealing with their "projected insolvent" police pension fund and the Pension Board decided to ask the PRB to attend our next pension board meeting to address those "options" to our Board before advising the City Board of Directors.

- B. Reimbursing the Fund for Past Unpaid Probation Fees — This matter was tabled until the next pension meeting.

Agenda Item #11. RFQ Process for Financial Advisor.

[03.32.14 into the pension meeting audio.]

The meeting with the Funds prospective Financial Advisors was scheduled for September 15, 2010 and the schedule and questions for each candidate was contained in the Boards meeting packet.

Agenda Item #12. RFQ Process for Legal Counsel.

[02.48.37 into the pension meeting audio.]

The Board was provided a proposed Engagement Letter from the law firm selected to represent our Board that listed their rates for services performed. It was determined that the local representative of Kutak Rock LLP be requested to attend our next pension meeting to address questions Board members have about their Engagement Letter.

Agenda Item #13. Member Comments.

[02.54.59 into the pension meeting audio.]

[There were no members present.]

Agenda Item #14. Other Business.

[02.59.26 into the pension meeting audio.]

Mr. Hensley made a motion [02.59.31 into the pension meeting audio] to remove Ms. Dollie Terry who passed away on August 26, 2010, with a benefit amount of \$1,115.00 from the pension rolls and extend our condolences to the family. Mr. Wood seconded the motion that passed by a unanimous vote of the Board.

Ms. Lenehan mentioned that at the PRB meeting, the PRB decided to overrule the determination made by David Clark that future notices of projected insolvent funds will not be made by certified mail and instituted the policy that such future notifications will be made by certified mail.

Mr. Hensley stated that the Board had received a very nice Thank You card from Ms. Virginia Hall, a widow of our fund, who stated that the Future Police Supplement check was most appreciated and thanking all of us for making that possible.

Mr. Harrod mentioned that the Municipal League Meeting that he attended brought up the issue of our appeal for Guarantee Fund assistance from the PRB and that the League stated they would provide us any assistance necessary to secure such financial assistance.

Agenda Item #15. Adjourn Meeting.

[03.02.36 into the pension meeting audio.]

Upon conclusion of Pension Board business, Mr. Hensley made a motion to adjourn. The motion was seconded by Mr. Harrod and passed by a unanimous vote of the Board at approximately 12 10p.m.

Respectfully Submitted,

Farris Hensley
Board Secretary